

Message Text

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INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 RSC-01

CIEP-01 TRSE-00 SS-15 STR-01 OMB-01 CEA-01 NSCE-00

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C O N F I D E N T I A L SECTION 1 OF 2 PEKING 2042

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E.O. 11652: GDS

TAGS: ETRD US CH

SUBJECT: AMERICAN PARTICIPATION IN THE 1974 FALL CANTON TRADE
FWON

REF: PEKING 1830, PEKING 1901, PEKING 0935

SUMMARY - INTRODUCTION. IN CONTRAST TO AN OVERALL DECLINE
IN ATTENDANCE AND IN THE LEVEL OF BUSINESS TRANSACTED,
THE FALL EXPORT COMMODITIES FAIR AT CANTON SET NEW

RECORDS FOR US ATTENDANCE AND FOR AMERICAN PURCHASES
FROM CHINA.

SOME 350 AMERICANS REPRESENTING ABOUT 220
COMPANIES VISITED THE FAIR AND CONCLUDED CONTRACTS WORTH
BETWEEN DOLS36 AND DOLS44 MILLION. AS AT PREVIOUS FAIRS, THE
MAJORITY OF US FIRMS ARE IMPORTERS; US SALES THIS FALL
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DID NOT EXCEED DOLS1 MILLION.

WHILE AMERICAN INTEREST (IN TERMS OF NUMBER OF FIRMS DOING BUSINESS) WAS GREATEST IN CHINESE LIGHT INDUSTRIAL PRODUCTS, THE LARGEST PURCHASES WERE FROM THE CHINESE METALS AND MINERALS CORPORATION. US MINERALS PURCHASES REACHED DOLS22 TO DOLS27 MILLION, THUS SURPASSING THE COMBINED VALUE OF CONTRACTS CONCLUDED WITH ALL OTHER CORPORATIONS. IN TEXTILES, US PURCHASES OF TEXTILE PIECEGOODS, REFLECTING THE DEPRESSED STATE OF THE US MARKET, DECLINED STILL FURTHER FROM THE SPRING FAIR TO AN ESTIMATED DOLS1.2 MILLION.

AS IN THE PAST, THE CHINESE USED THE FAIR AS A VEHICLE FOR MAKING INITIAL CONTACTS WITH US FIRMS AND THE MAJORITY OF THOSE INVITED WERE NEWCOMERS TO CANTON. THIS WAS PARTICULARLY TRUE IN THE CHEMICALS FIELD WHERE SOME THIRTY US CHEMICAL AND PHARMACEUTICAL FIRMS WERE REPRESENTED. ALMOST ALL US FIRMS EXPRESSED SATISFACTION WITH THEIR TREATMENT BY THE CHINESE AND A GOOD NUMBER OF THE NEWCOMERS FELT THEY WERE ABLE TO ESTABLISH RELATIONSHIPS WHICH OFFERED GOOD PROSPECTS FOR THE FUTURE.

IN CONVERSATIONS WITH AMERICANS, THE CHINESE STRESSED THEIR INTEREST IN INCREASING SALES TO THE US AND GENERALLY WERE MORE RESPONSIVE THAN IN THE PAST TO REQUESTS FOR CHANGES IN STYLING, PACKAGING, AND LABELING OF GARMENTS. PROBLEMS REMAINED, HOWEVER, WITH CHINESE RELUCTANCE TO MEET USDA AND FTC REQUIREMENTS AND THERE WAS LITTLE MOVEMENT IN THIS AREA AT THE FAIR. THE CHINESE WERE ALSO MORE VOCAL THAN AT PREVIOUS FAIRS ABOUT THE ADVERSE EFFECT OF LACK OF MFN TREATMENT FOR CHINESE EXPORTS TO THE US, AND BROUGHT IT TO THE ATTENTION OF ALL THE AMERICAN BUYERS.

THIS REPORT COVERS US BUSINESS AT THE FAIR. A REPORT ON THE FAIR AS A WHOLE WILL BE SUBMITTED SEPARATELY. END SUMMARY - INTRODUCTION.

1. ATTENDANCE. RESPONDING TO A MARKED INCREASE IN INVITATIONS, THE NUMBER OF AMERICANS ATTENDING THE FAIR REACHED A RECORD 340 (INCLUDING 40 DEPENDENTS) COMPARED WITH 220 AT THE SPRING FAIR. THE NUMBER OF US FIRMS ALSO
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INCREASED TO 193 REPRESENTED DIRECTLY FROM THE US, AND 27 REPRESENTED BY OVERSEAS OFFICES OR FOREIGN SUBSIDIARIES. THIS COMPARES WITH 145 AND 22 FIRMS RESPECTIVELY, LAST SPRING. AMONG THE FIRMS PRESENT, 61 PERCENT WERE IMPORTERS, 28 PERCENT WERE TRADERS WHO BOTH BUY AND SELL AND 8 PERCENT WERE EXPORTERS, A BREAKDOWN WHICH CLOSELY APPROXIMATES THAT OF THE SPRING FAIR. ALSO AT THE FAIR WERE THREE US TRADE ASSOCIATIONS (THE NATIONAL COUNCIL FOR US-CHINA TRADE, THE

CHICAGO ASSOCIATION OF COMMERCE AND INDUSTRY, AND THE AMERICAN CHAMBER OF COMMERCE IN HONG KONG) WHICH RECEIVED INVITATIONS DIRECTLY, AND FOUR US BANKS WHICH ATTENDED ON INVITATIONS ISSUED TO OTHER COMPANIES.

2. BASED ON THEIR CONVERSATIONS WITH US BUSINESSMEN AND CHINESE TRADE OFFICIALS, USLO OFFICERS AT THE CANTON FAIR HAVE PREPARED THE FOLLOWING SUMMARY OF US BUSINESS DONE WITH EACH PRC FOREIGN TRADE CORPORATION. THE NUMBER OF FIRMS REFERS TO THOSE AMERICAN COMPANIES KNOWN TO HAVE HAD BUSINESS DISCUSSIONS WITH EACH CORPORATION.

3. METALS AND MINERALS - 12 FIRMS. BY FAR THE LARGEST US TRANSACTIONS AT THE FAIR WERE THE CHINA NATIONAL METALS AND MINERALS IMPORT AND EXPORT CORPORATION. AN ESTIMATED DOLS22-27 MILLION WORTH OF CONTRACTS WERE SIGNED, EXCEEDING THE TOTAL VOLUME OF BUSINESS TRANSACTED WITH ALL OTHER CORPORATIONS. THE MAIN PURCHASER WAS ENGELHARD MINERALS, WHOSE CANADIAN SUBSIDIARY, PHILIPP BROTHERS, NEGOTIATED A DOLS15-20 MILLION PURCHASE OF TIN ON ITS BEHALF (N.B. THIS INFORMATION WAS GIVEN TO USLO IN STRICTEST CONFIDENCE). OTHERS PURCHASING TIN WERE ASSOCIATED METALS AND MINERALS (AMM) AND GERALD METALS (PERHAPS DOLS1.5 MILLION TOTAL). SECOND IN IMPORTANCE AFTER TIN WAS TUNGSTEN, IN WHICH UNION CARBIDE PURCHASED SLIGHTLY MORE THAN DOLS4 MILLION. OTHER US PURCHASES INCLUDED ATIMONY (DOLS500,000 BY AMM), GRAPHITE (DOLS500,000 BY ASBURY GRAPHITE), AND SMALL AMOUNTS OF STEEL AND IRON WIRE.

4. CHEMICALS - 30 FIRMS. DUE TO DECLINING AND GENERALLY UNSTABLE INTERNATIONAL MARKETS FOR MOST CHEMICALS, THE CHINA NATIONAL CHEMICALS IMPORT AND EXPORT CORPORATION HELD OFF ON BOTH BUYING AND SELLING UNTIL THE FINAL WEEK OF THE CONFIDENTIAL

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FAIR. IN THE END, ONLY AN ESTIMATED DOLS4 TO DOLS6 MILLION IN CONTRACTS WERE CONCLUDED WITH US FIRMS, AND ALTHOUGH AN UNUSUALLY LARGE NUMBER OF COMPANIES WERE REPRESENTED AT THE FAIR, MOST DID NOT TRANSACT SIGNIFICANT BUSINESS.

ON THE US BUYING SIDE, KNOWN PURCHASES WERE LARGEST IN SYNTHETIC CRYOLITE (4-5 THOUSAND TONS AT AROUND DOLS2.5 MILLION). PURCHASES OF PHARMACEUTICALS INCLUDED DOLS1.25 MILLION EPHEDRINE HYDROCHLORIDE (33 TONS), SMALLER QUANTITIES OF VITAMINS, AND AN INGREDIENT FOR COUGH MEDICINE (60 TONS OF PHENYLEPHEDRINE HYDROCHLORIDE). ONE US FIRM PURCHASED 100 TONS OF FURFURAL.

ON THE SALES SIDE, FMC (NIAGARA CHEMICAL DIVISION) SOLD DOLS150,000 OF PESTICIDES TO BE USED ON A TRIAL BASIS,

WITH THE HOPE OF MAKING FURTHER SALES LATER. UNIROYAL
SOLD RUBBER CHEMICALS VALUED AT DOLS200,000. ALSO OF INTEREST
WERE TALKS BETWEEN THE CHEMICALS CORPORATION AND HONG
KONG BASED REPRESENTATIVES OF CALTEX, MOBIL AND EXXON
CONCERNING FUTURE SALE TO CHINA OF ADDITIVES, LUBRICANTS
AND OTHER TYPES PETROLEUM PRODUCTS.
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ACTION EA-10

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 RSC-01

CIEP-01 TRSE-00 SS-15 STR-01 OMB-01 CEA-01 NSCE-00

CIAE-00 COME-00 INR-05 LAB-01 NSAE-00 PA-01 SIL-01

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5. LIGHT INDUSTRIAL PRODUCTS - 70 FIRMS. IN THE FINAL WEEK
OF THE FAIR THE DEPUTY SECRETARY GENERAL OF THE CHINA
NATIONAL LIGHT INDUSTRIAL PRODUCTS IMPORT AND EXPORT
CORPORATION SAID BUSINESS WITH US FIRMS WAS BETTER THAN
AT THE TWO PREVIOUS FAIRS BUT HAD NOT REACHED DOLS5 MILLION.
USLO ESTIMATES DOLS3-4 MILLION, WITH BASKETWARE BEING BY FAR
THE MOST POPULAR ITEM. AS FOR COMPANIES, A COCA COLA
SUBSIDIARY, BENETRADE, PURCHASED DOLS750 THOUSAND OF
LIGHT INDUSTRIAL PRODUCTS FOR ITS PIER ONE RETAIL CHAIN;
WALBORG, INC. BOUGHT DOLS500 THOUSAND OF HANDBAGS AND WAS
INVITED TO PEKING FOR FURTHER TALKS ON STYLING; AND E.
YUEN CO., IN A BUYING TRIP TO PEKING, TIENTSIN,

SHANGHAI AND KWANGCHOW PURCHASED STRAWWARE WORTH DOLS800 THOUSAND THOUGH NONE OF THESE CONTRACTS WERE SIGNED AT THE FAIR.

6. TEXTILES - 31 FIRMS. IN CONTRAST WITH PREVIOUS FAIRS, GARMENT PURCHASES BY US FIRMS EXCEEDED THOSE IN COTTON PIECE GOODS, WHICH DECLINED STILL FURTHER AT THIS FAIR
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TO ABOUT DOLS1.2 MILLION. ACCORDING TO OFFICIALS OF THE CHINA NATIONAL TEXTILES IMPORT AND EXPORT CORPORATION, US GARMENT BUYING AT THE FAIR INCREASED OVER THE SPRING FAIR, BUT THEY ALSO SAID THAT USLO'S SPRING FAIR ESTIMATE OF DOLS2 MILLION IN US GARMENT PURCHASES WAS HIGH. NO RAW SILK WAS PURCHASED, AND USLO'S ESTIMATE OF TOTAL US TEXTILE PURCHASES IS NO HIGHER THAN DOLS3 MILLION.

ON THE SALES SIDE, ONSANTO OFFERED THE CHINESE A SUBSTANTIAL QUANTITY OF ACRYLIC FIBER (WORTH ABOUT DOLS6 MILLION) BUT WAS TOLD THAT NO DECISION WOULD BE REACHED BEFORE THE END OF THE FAIR. MONSANTO INDICATED IT WAS FACING STIFF JAPANESE COMPETITION AND COULD EASILY LOSE THE SALE.

7. NATIVE PRODUCE - 25 FIRMS. BUSINESS WITH THE CHINA NATIONAL NATIVE PRODUCE AND ANIMAL BY-PRODUCTS IMPORT AND EXPORT CORPORATION SLIGHTLY EXCEEDED THE 1974 SPRING FAIR LEVEL. US PURCHASES OF GUM ROSIN, INCLUDING CONTRACTS SIGNED IN PEKING IMMEDIATELY BEFORE THE FAIR, TOTALED DOLS7 MILLION. REPRESENTATIVES OF THREE US TOBACCO COMPANIES MADE PURCHASES WHICH MAY HAVE REACHED DOLS1 MILLION. US CARPET PURCHASES DROPPED FROM PREVIOUSLY HIGHER LEVELS TO PERHAPS DOLS75 THOUSAND AND THERE WERE NO US PURCHASES OF FIREWORKS AT THIS FAIR. SOME BUSINESS WAS ALSO DONE IN ESSENTIAL OILS, FLAVORING, AND SPICES, THOUGH AGAIN (AT ABOUT DOLS200 THOUSAND) THE VOLUME WAS LESS THAN AT PREVIOUS FAIRS. ONLY TWO US BRISTLES BUYERS, JULIUS KLUGMAN AND HENRY LEE OF WOOSTER BRUSH ATTENDED THE FAIR AND PURCHASED LESS THAN DOLS100 THOUSAND. OTHER MAJOR IMPORTERS (ZEITLIN, KREJTMAN AND WAGMAN) WERE INVITED BUT DID NOT ATTEND. KLUGMAN ARRIVED LATE AND WAS STILL NEGOTIATING AS THE FAIR ENDED, SEEKING AN EXCLUSIVE ARRANGEMENT ON CERTAIN PRC BRISTLES AS PART OF AN OVERALL PROMOTIONAL PACKAGE HE HAS PROPOSED TO THE CHINESE. TOTAL VALUE OF BUSINESS DONE BY AMERICANS WITH NATIVE PRODUCE AT THE FAIR WAS ABOUT DOLS3 MILLION.

8. CEREALS AND FOODSTUFFS - 25 FIRMS. MAJOR BUSINESS WITH THE CHINA NATIONAL CEREALS, OILS AND FOODSTUFFS IMPORT AND EXPORT CORPORATION WAS IN TUNG OIL, ONCE A LARGE

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ITEM IN SINO-US TRADE WHICH NOW SHOWS SIGNS OF REVIVING. PVO INTERNATIONAL INC. BOUGHT 400 TONS WORTH DOLS265,000 AND ENTERED INTO A ONE YEAR AGREEMENT FOR 5,000 TONS WITH PRICES TO BE SET AT TIME OF DELIVERY. IN THE TWO MONTHS PRECEDING THE FAIR PVO BOUGHT 2,200 TONS FOR DOLS1.2 MILLION. THE FAIR ALSO PROVIDED AN OPPORTUNITY FOR PRESENTATIONS BY CHICAGO BOARD OF TRADE PRESIDENT LEBECK AND MERRILL LYNCH ON THE US COMMODITIES FUTURES MARKET. AFTER THE FAIR A MERRILL LYNCH REPRESENTATIVE WAS INVITED TO PEKING FOR FURTHER TALKS PEKING 2033).

WHILE THESE DEVELOPMENTS WERE ENCOOURAING, THEY WERE ALMOST OVERSHADOWED BY A MAJOR CLAIMS DISPUTE OVER FDA REJECTION OF PRC SHRIMP WHICH HAS TEMPORARILY BROKEN OFF TRADE IN THAT COMMODITY (PEKING 2038). CHINESE UNWILLINGNESS OR INABILITY TO MEET USDA AND FTC REQUIREMENTS CONTINUED TO PRECLUDE US PURCHASES IN SOME OTHER FOODSTUFF AREAS, WHILE LIMITED AVAILABILITIES AND WEAKENING US MARKET CONDITIONS ALSO LIMITED TRANSACTIONS. DUE LARGELY TO THE CURTAILMENT OF PRC SHRIMP EXPORTS, USLO ESTIMATES THAT US PURCHASES DECLINED FROM DOLS30 MILLION AT THE SPRING FAIR TO ABOUT DOLS500,000.

9. MACHINERY -- 22 FIRMS. ALTHOUGH THE LEAST AMOUNT OF BUSINSS BY US FIRMS AT THE FAIR WAS DOWN WITH THE CHINA NATIONAL MACHINERY IMPORT AND EXPORT CORPORATION, TWO AMERICAN COMPANIES, THE SUMMIT MACHINE TOOL COMPANY AND THE S&S MACHINERY COMPANY DID PLACE INITIAL ORDERS FOR TRIAL QUANTITIES OF CHINESE MACHINE TOOLS WORTH ABOUT DOLS325,000. NO SALES TO MACHIMPEX WERE CONCLUDED, BUT SEVERAL OTHER US FIRMS DID HAVE TALKS WHICH COULD LEAD TO FUTURE BUSINESS. AMONG THESE WERE THE ROCKFORD CLUTCH DIVISION OF BORG WARNER (GEAR MAKING MACHINERY), THE AMERICAN CAN COMPANY (FOOD PROCESSING AND CANNING MACHINERY) AND DREDGEMASTERS INTERNATIONAL (HARBOR DREDGERS). SEVERAL US ELECTRONIC FIRMS INCLUDING CONTROL DATA, BURROUGHS, CALVERT AND RCA ALSO DISCUSSED THE POSSIBLE SALE OF COMPUTERS AND PROSPECTS FOR BUYING ELECTRONIC COMPONENTS FROM CHINA.

10. INFORMATION CONTAINED IN THIS REPORT IS COMMERCIALY
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SENSITIVE AND SHOULD BE CLOSELY HELD WITHIN THE USG.

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